

**THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2021-153-S

IN RE: Application of Palmetto Wastewater)	DIRECT TESTIMONY
Reclamation, Inc. for an Adjustment of)	
Rates and)	OF
)	
)	CRAIG SORENSEN

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Craig Sorensen, PE. My principal place of business is 1710 Woodcreek
3 Farms Road, Elgin, South Carolina 29045.

4 **Q. WHAT IS YOUR CURRENT POSITION?**

5 A. I am President for SouthWest Water Company's business in Alabama, Florida, and
6 South Carolina. I am also President at Palmetto Wastewater Reclamation, Inc. ("PWR"
7 or "Company").

8 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **BACKGROUND.**

10 A. I hold a Bachelor of Science degree in Mining Engineering from the University of
11 Missouri-Rolla and a Master of Business Administration degree from Samford
12 University. I am a licensed Professional Engineer in four states, including South
13 Carolina. My experience includes over 25 years in the water and wastewater industry,
14 from heavy civil construction to design engineering and large facility project
15 management to utility ownership and management.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. The purpose of my testimony is to provide an overview of PWR's request, describe the
3 nature of capital improvements made by PWR since its last rate case, and introduce the
4 expert witnesses testifying on PWR's behalf.

5 Q. PLEASE SUMMARIZE PWR'S REQUEST.

6 A. PWR is requesting revenues of \$4,159,736, which represents an increase of \$499,003,
7 or 13.72%, over PWR's pro forma test year revenues. PWR's requested revenues
8 represent recovery of the Company's cost to provide service, including a reasonable
9 return on invested capital. PWR's requested return is based on a return on equity of
10 10.95%, a cost of debt of 3.79%, and a capital structure consisting of 59.92% equity
11 and 40.08% debt. Please refer to the Direct Testimony of the Company's cost-of-
12 capital witness, Paul R. Moul, for details and support of the Company's requested
13 return. PWR also requests to increase the maximum penalty assessment for tampering
14 from \$250 per occurrence to \$500.

15 Q. WHAT IS THE EFFECT OF PWR'S REQUESTED RATE INCREASE ON
16 PWR'S AVERAGE CUSTOMER?

17 A. Because PWR charges customers a flat monthly rate, the bill impact of PWR's
18 requested revenue increase would be the same as the rate increase itself in terms of
19 percentage.

20 Q. IS PWR'S REQUEST JUSTIFIED? PLEASE EXPLAIN.

21 A. Yes. PWR's rates were last approved on May 14, 2019, based on a test year ending
22 August 31, 2018, which is now three years old. Since that time, PWR has made

1 significant investments and incurred various cost increases. The proposed rate increase
2 is necessary for PWR to continue providing reasonable and adequate service to its
3 customers, cover its expenses, be permitted an opportunity to earn a reasonable return
4 on its investment, attract capital for future improvements, and comply with the
5 standards and regulations set by DHEC and other environmental regulatory authorities.

6 **Q. PLEASE DESCRIBE THE CAPITAL IMPROVEMENTS MADE TO THE**
7 **WATER AND SEWER SYSTEMS SINCE PWR'S LAST GENERAL RATE**
8 **CASE.**

9 A. PWR has undertaken many projects with the goals of improving the system and its
10 operation. These include projects to improve safety, both at the facility and in the
11 community. For example, PWR worked with DHEC to change the disinfection process
12 and moved from using gaseous chlorine for disinfection to using liquid chlorine, which
13 greatly reduces risk to the community in the event of an equipment malfunction. We've
14 made several safety improvements at the facility, from increasing security to addressing
15 fall hazards with new ladders, handrails, and even a concrete berm to keep vehicle
16 traffic from falling into the ground-level oxidation ditch. The utility replaced its
17 effluent pumps, rebuilt six of the plant's floating brush aerators, improved the lab
18 facility, and performed general plant maintenance items. We addressed several issues
19 in the collection system, as well. Among other work, PWR replaced 2500 linear feet of
20 gravity sewer line near Piney Grove Road and 140 linear feet of main trunk sewer line
21 that had become exposed due to natural erosion on the bank of Stoop Creek.

1 Q. PLEASE INTRODUCE THE OTHER WITNESSES TESTIFYING ON
2 BEHALF OF PWR.

3 A. Mr. Donald H. Burkett, CPA testifies regarding the financial schedules filed in the
4 Company's application. Mr. Paul R. Moul testifies regarding the Company's weighted
5 average cost of capital. Mr. Mujeeb Hafeez testifies regarding the overhead and shared
6 costs and the allocation thereof to PWR. The Company reserves the right to produce
7 additional witnesses as appropriate in its rebuttal testimony.

8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes, it does.